

Financial Results

2Q/59th Term (2021)

August 25, 2021



CTI Engineering Co., Ltd.

Agenda

1. Financial Results – 2Q/59th Term (2021)

2. CTI Group's Medium/Long-Term Vision - SPRONG 2030

3. Addressing Social Issues

1

Financial Results – 2Q/59th Term (2021)

2Q/59th Term – Results Outline (Consolidated)

- Orders Received amount increased 28.0% YoY to 47,900 million yen – a significant increase & record performance
- Sales amount increased 9.8% YoY to 35,200 million yen – an increase & record performance
- Operating profit increased 34.2% YoY to 3,500 million yen - a significant increase & record performance

Towards business expansion for overall CTI group

- New records in 2Q for orders received amount, sales amount, and for each profit line
- Strong performance in the Domestic and Overseas businesses
- Overseas business recovered to levels exceeding 2Q/2019 – pre-COVID-19

(JPY million)

	58th Term 2020 2Q	59th Term 2021 2Q	Change (%)	59th Term 2021 (FY Forecast)	Progress vs. Forecast (%)
Orders Received	37,471	47,959	+28.0	67,000	71.6
Sales Amount	32,093	35,222	+9.8	67,000	52.6
Operating Profit	2,657	3,565	+34.2	4,900	72.8
Ordinary Profit	2,712	3,627	+33.7	4,900	74.0
Net Income Attributable to Owners of the Parent	1,796	2,355	+31.1	3,300	71.4

2Q/59th Term – Results Outline (Segment Information)

■ Sales/profit increase in the Domestic & Overseas segments

(JPY million)

	Segment	58th Term 2020 2Q	59th Term 2021 2Q	Change (YoY)	Change (%)
Orders Received	Domestic	30,315	35,369	+5,053	+16.7
	Overseas	7,156	12,590	+5,433	+75.9
	Total	37,471	47,959	+10,487	+28.0
Sales Amount	Domestic	24,954	25,790	+835	+3.3
	Overseas	7,138	9,432	+2,293	+32.1
	Total	32,093	35,222	+3,129	+9.8
Operating Profit	Domestic	2,760	3,299	+538	+19.5
	Overseas	-105	264	+369	-
	Total *	2,657	3,565	+908	+34.2

* The operating profit total includes inter-segment adjustment amounts

Income Statement (Consolidated) – YoY Comparison

- Cost of sales margin improved by 0.8 points to 71.3%; SG&A expenses margin improved by 1.0 points to 18.6%
- Operating profit margin improved by 1.8 points to 10.1%; Operating profit increased by 900 million yen to 3,500 million yen – an increase of 34.2%
- Net income attributable to owners of the parent increased by 500 million yen to 2,300 million yen – an increase of 31.1%

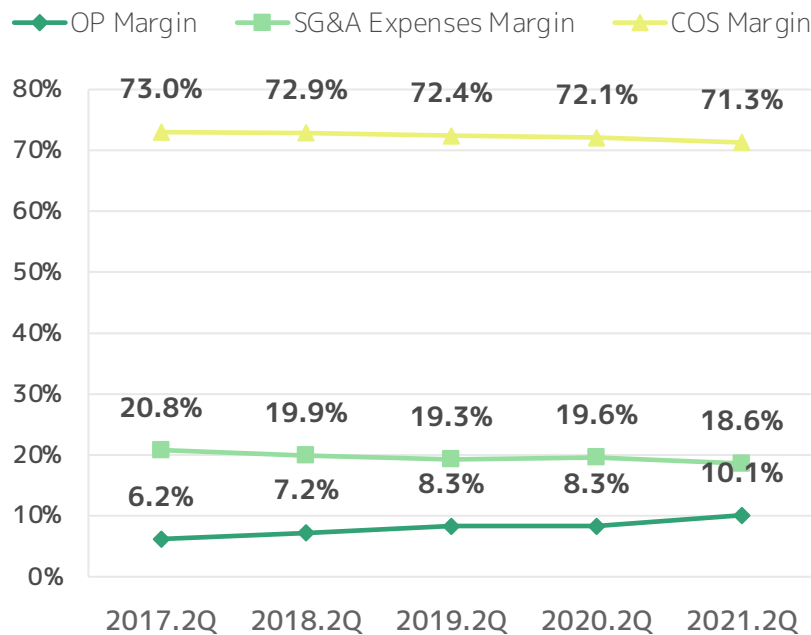
(JPY million)

	58th Term 2020 2Q		59th Term 2021 2Q		Change		
	Amount	% of Sales	Amount	% of Sales	Amount	%	% of Sales
Sales Amount	32,093	–	35,222	–	+3,129	+9.8%	–
Cost of Sales	23,140	72.1%	25,117	71.3%	+1,977	+8.5%	-0.8pt
Gross Profit	8,952	27.9%	10,104	28.7%	+1,152	+12.9%	+0.8pt
SG&A Expenses	6,295	19.6%	6,539	18.6%	+243	+3.9%	-1.0pt
Operating Profit	2,657	8.3%	3,565	10.1%	+908	+34.2%	+1.8pt
Non-Op. Rev. & Exp.	55	–	61	–	+6	–	–
Ordinary Profit	2,712	8.5%	3,627	10.3%	+914	+33.7%	+1.8pt
Extraordinary Gains & Losses	-13	–	-39	–	-25	–	–
NI Before Tax	2,698	8.4%	3,588	10.2%	+889	+33.0%	+1.8pt
Tax Expenses	933	–	1,208	–	+274	–	–
Net Income (Non-controlling)	-31	–	24	–	+55	–	–
NI (Parent)	1,796	5.6%	2,355	6.7%	+558	+31.1%	+1.1pt

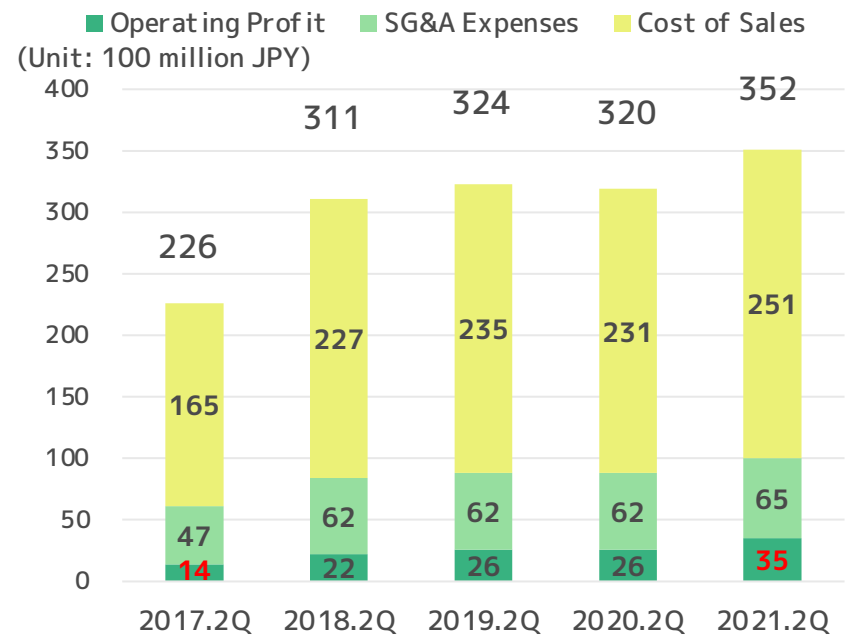
Income Statement (Consolidated) – 5-Year Trend

- Sales Amount 35,200 million yen
- Operating Profit 3,500 million yen
- Cost of Sales Margin 71.3% (-0.8% YoY)
- SG&A Expenses Margin 18.6% (-1.0% YoY)
- Operating Profit Margin 10.1% (+1.8% YoY)

Operating Profit Margin – 5-Year Trend



Sales Composition – 5-Year Trend



Domestic Consulting Engineering Business

- Orders received amount increased 16.7% YoY to 35,300 million yen
- Sales amount increased 3.3% YoY to 25,700 million yen
- Operating profit increased 19.5% YoY to 3,200 million yen

Strong domestic performance, driven by non-consolidated results

- Strong orders, primarily from government institutions, within the scope of policy to prevent/mitigate natural disasters, and the promotion of national land resilience
- Increase in productivity through the promotion of remote working and remote support
- Profitability also increased, by raising engineer unit value and increasing contract lot size

(JPY million)

	58th Term 2020 2Q	59th Term 2021 2Q	Change (%)	59th Term 2021 (FY Forecast)	Progress vs. Forecast (%)
Orders Received	30,315	35,369	+16.7	49,100	72.0
Sales Amount	24,954	25,790	+3.3	49,900	51.7
Operating Profit	2,760	3,299	+19.5	4,850	68.0
Operating Profit Margin	11.1%	12.8%	-	9.7%	-

59th Term – Results Outline (Non-Consolidated)

- Orders received amount increased 17.7% YoY to 32,600 million yen – growing for the 6th consecutive term
- Sales amount increased 4.7% YoY to 23,300 million yen – growing for the 9th consecutive term
- Operating profit increased 24.4% to 3,100 million yen – growing for the 5th consecutive term

Record performance in order/sales amount and all profit lines

- Non-consolidated results continued in a trend of revenue expansion

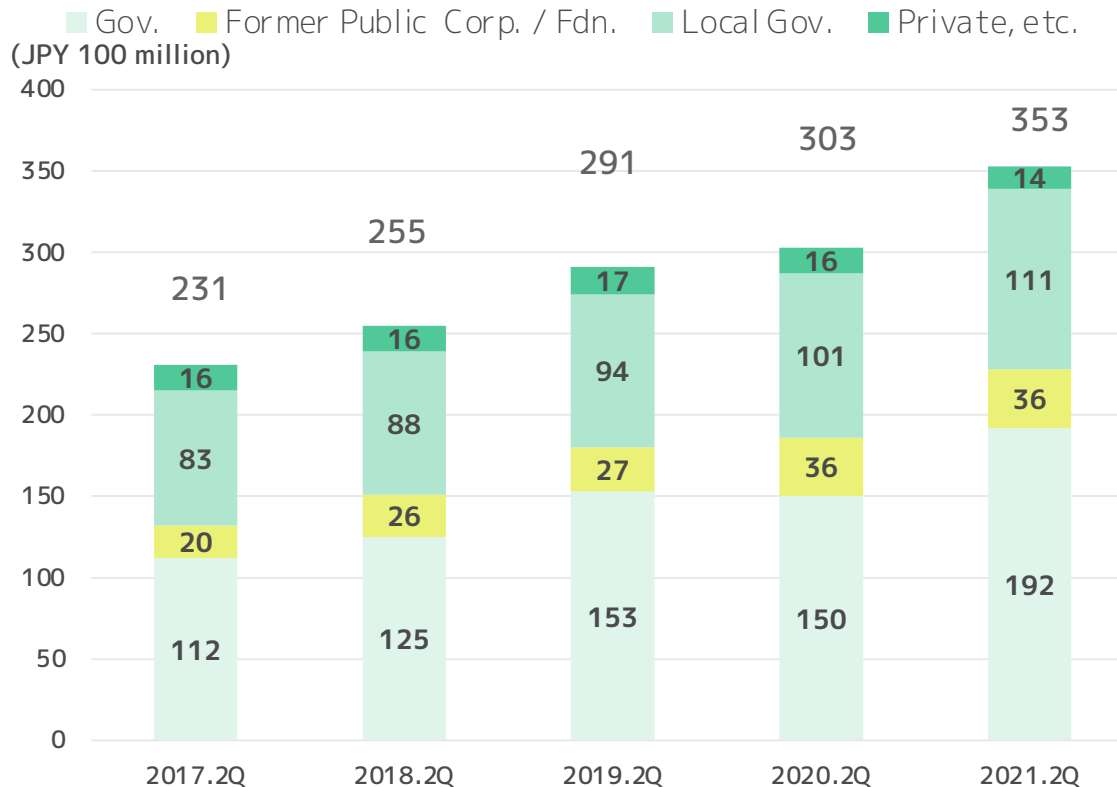
(JPY million)

	58th Term 2020 2Q	59th Term 2021 2Q	Change (%)	59th Term 2021 (FY Forecast)	Progress vs. Forecast (%)
Orders Received	27,785	32,692	+17.7	44,000	74.3
Sales Amount	22,262	23,304	+4.7	45,000	51.8
Operating Profit	2,556	3,180	+24.4	4,700	67.7
Ordinary Profit	2,644	3,245	+22.7	4,800	67.6
Net Income Attributable to Owners of the Parent	1,818	2,171	+19.4	3,300	65.8

Orders Received Amount Trend (Domestic)

Significant increase in orders received amount, primarily from the Japanese Government and its promotion of efforts to build up national land resilience

Orders Received Amount By Source



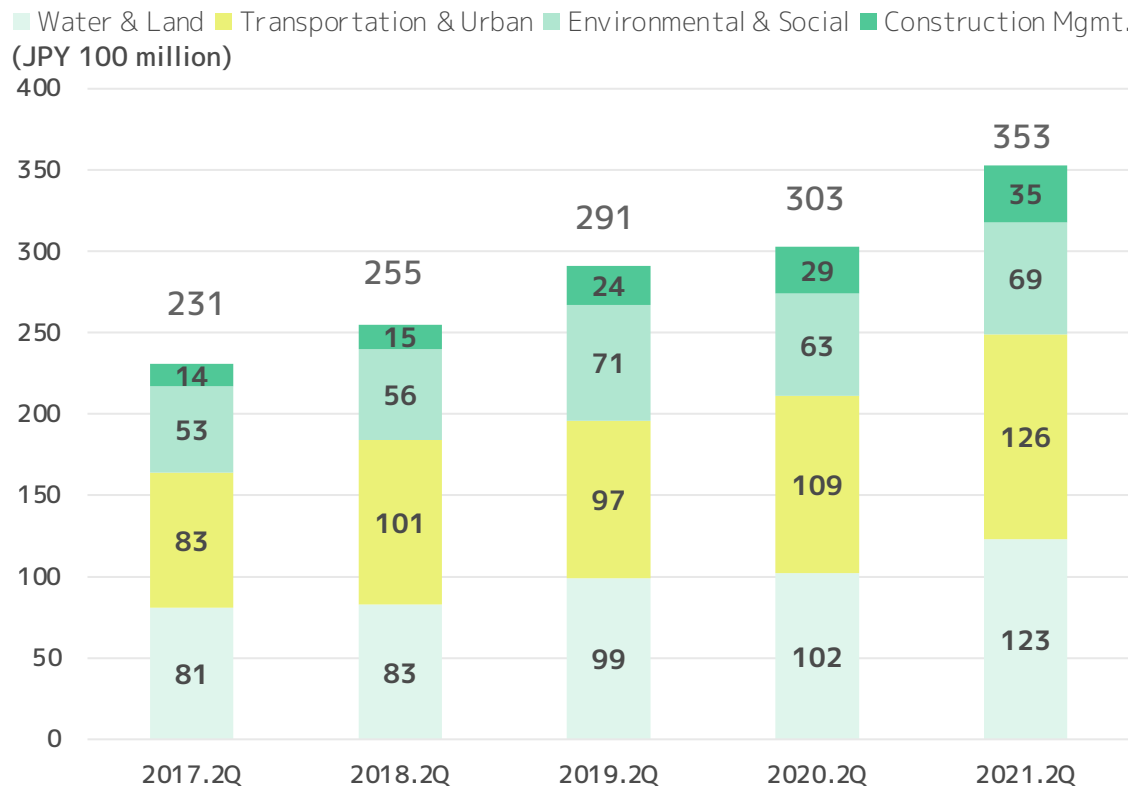
Status By Source

- Increase of 4,200 million yen from government institutions (+28.5% YoY)
- Orders from former public corporations and foundations remained flat
- Increase of 1,000 million yen from Local Gov. (+9.9% YoY)
- Orders from the private sector decreased slightly

Orders Received Amount Trend (Domestic)

Each Sector registered an increase in orders received amount

Orders Received Amount By Sector

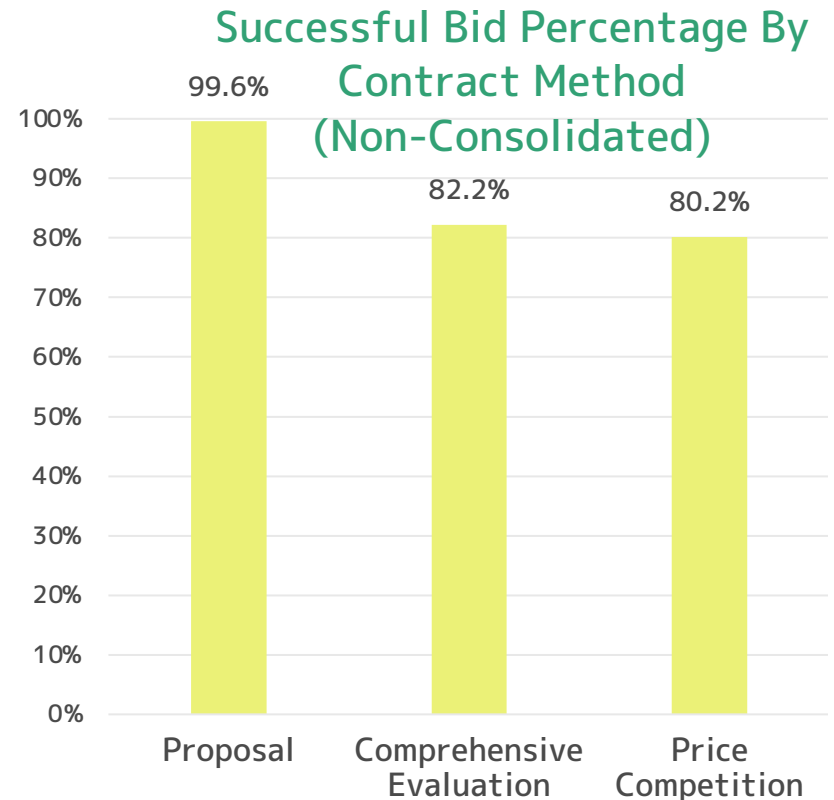
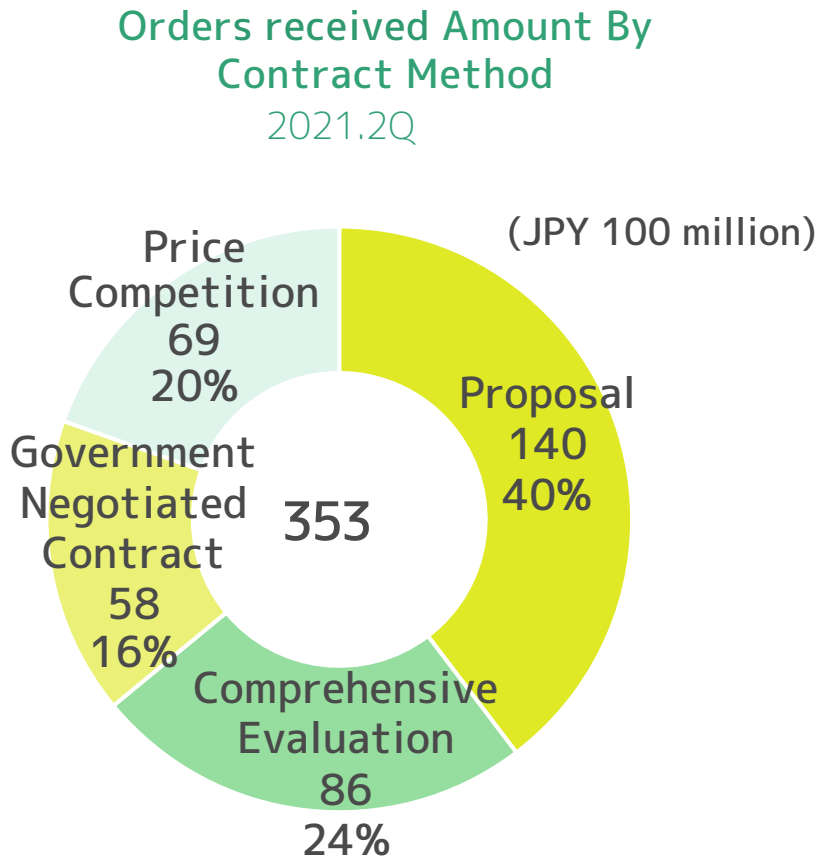


Status By Sector

- Increase of 2,100 million yen in the Water & Land Sector (+21.0% YoY)
- Increase of 1,700 million yen in the Transportation & Urban Sector (+15.3% YoY)
- Increase of 600 million yen in the Environmental & Social Sector (+9.3% YoY)
- Increase of 600 million yen in the Construction Management Sector (+22.5% YoY)

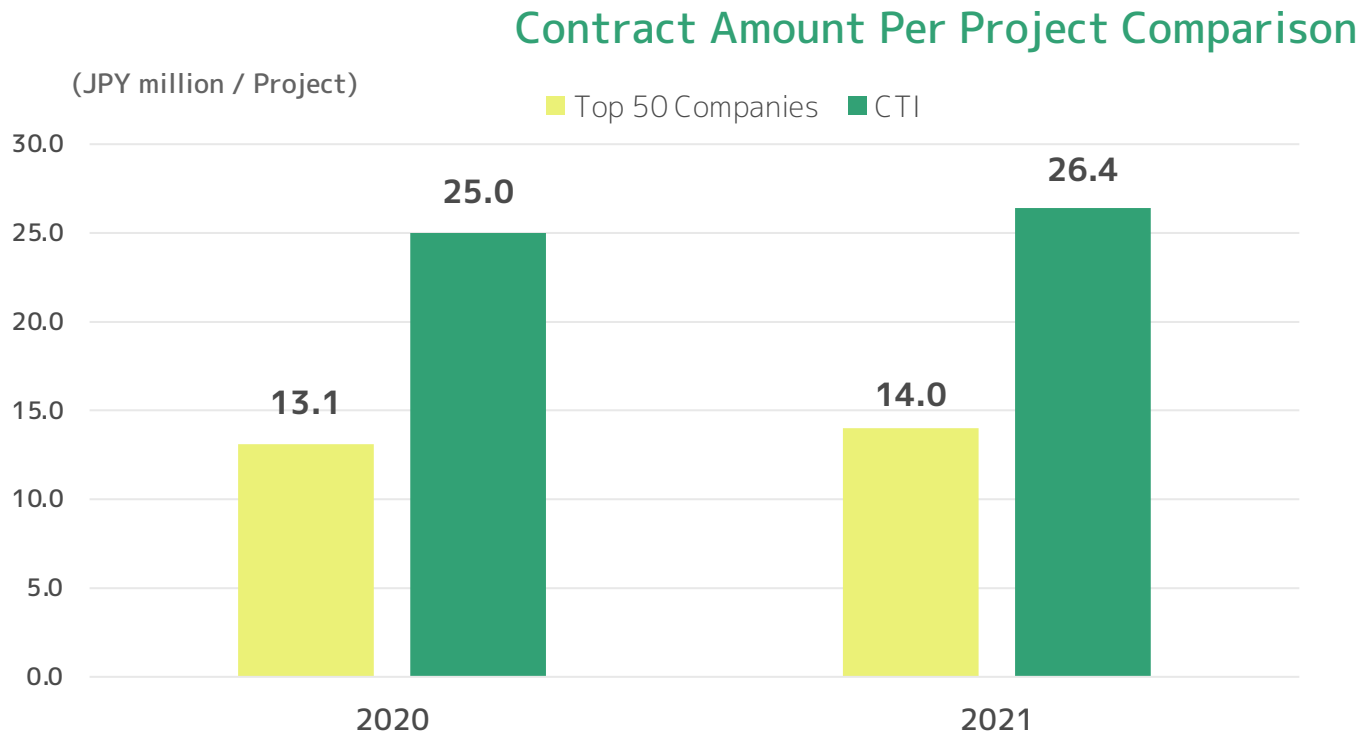
Orders Received Amount By Contract Method(Domestic)

Methods associated with engineering competitiveness (proposal & comprehensive evaluation) and government negotiated contracts account for 80% of orders
Proposal and government negotiated contracts – which boast a high successful bid percentage - account for 56% of orders



Contract Amount Per Project (Non-Consolidated)

The contract amount per project increased on larger project scale and higher engineer unit value

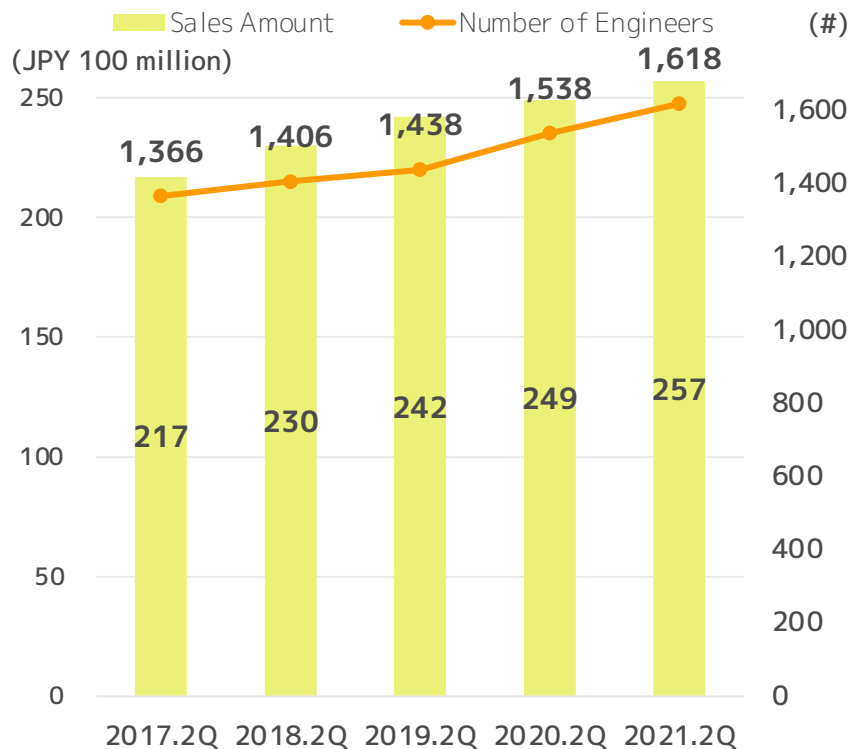


Source: Ministry of Land, Infrastructure, Transport and Tourism Policy Bureau Information Policy Division
Office for Statistical Research and Analysis on Economy in Construction Market - Official Documents
"Survey of Construction-related Industries" (Month of May);
"Survey of Table 2 Construction-related Industries (50 construction consulting companies)
Contract amount per project for the top 50 companies derived from : 2020 (June aggregate); 2021 (May aggregate)

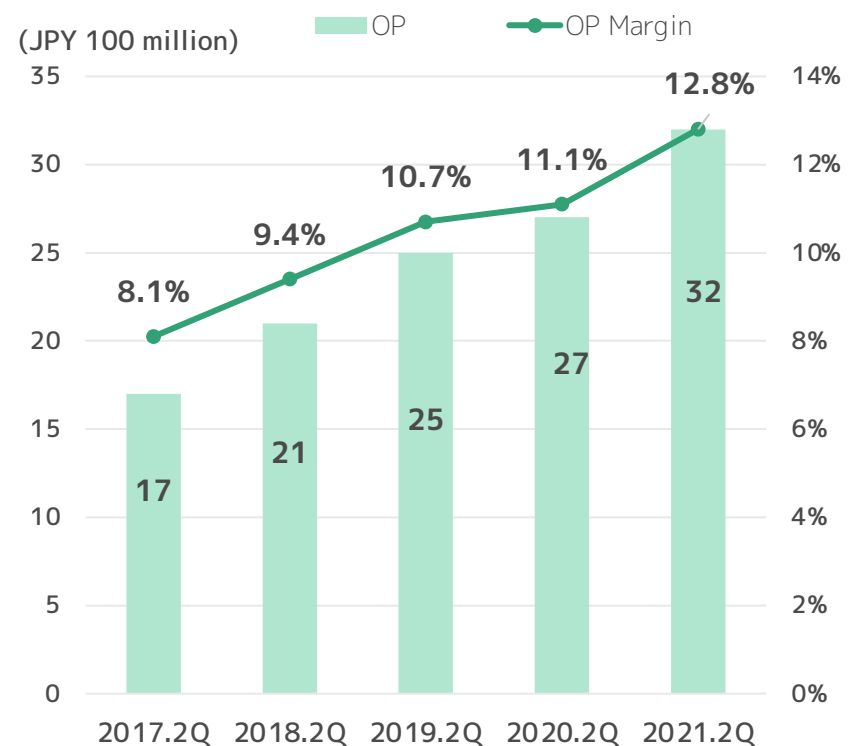
Sales Amount & Profit Trend (Domestic)

Sales amount and operating profit margin both rose, thanks to the enhancement of human resources and an increase in productivity

Trend in Sales Amount and Engineers



Trend in OP and OP Margin



Overseas Consulting Engineering Business

- Orders Received amount increased 75.9% YoY to 12,500 million yen – a significant increase
- Sales amount increased 32.1% YoY to 9,400 million yen – a significant increase
- Operating profit increased to 260 million yen – after an operating loss last year

Overseas business recovered from an operating loss last year

- Results recovery exceeding 2Q 2019 pre-pandemic levels
- Public Sector-related Business in the UK drove growth (Waterman)
- Secured orders for large-scale projects in SE Asia; Travel restrictions in the region have been reinstated (CTI Engineering International)

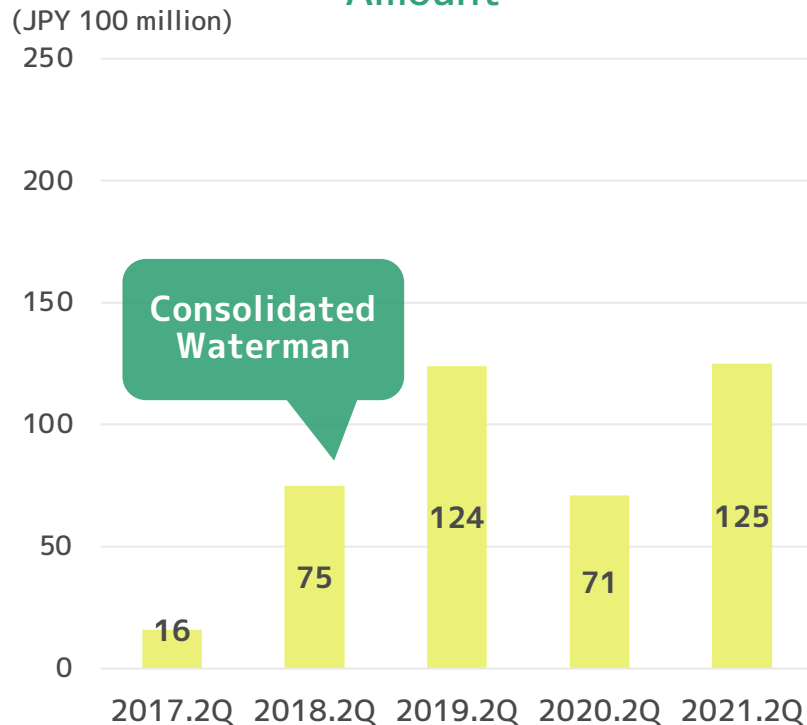
	58th Term 2020 2Q	59th Term 2021 2Q	Change (%)	59th Term 2021 (FY Forecast)	(JPY million) Progress vs. Forecast (%)
Orders Received	7,156	12,590	75.9	17,900	70.3
Sales Amount	7,138	9,432	32.1	17,100	55.2
Operating Profit	-105	264	-	50	-
Operating Profit Margin	-1.5%	2.8%	-	0.3%	-

*Orders received amount includes amount changes from currency fluctuations

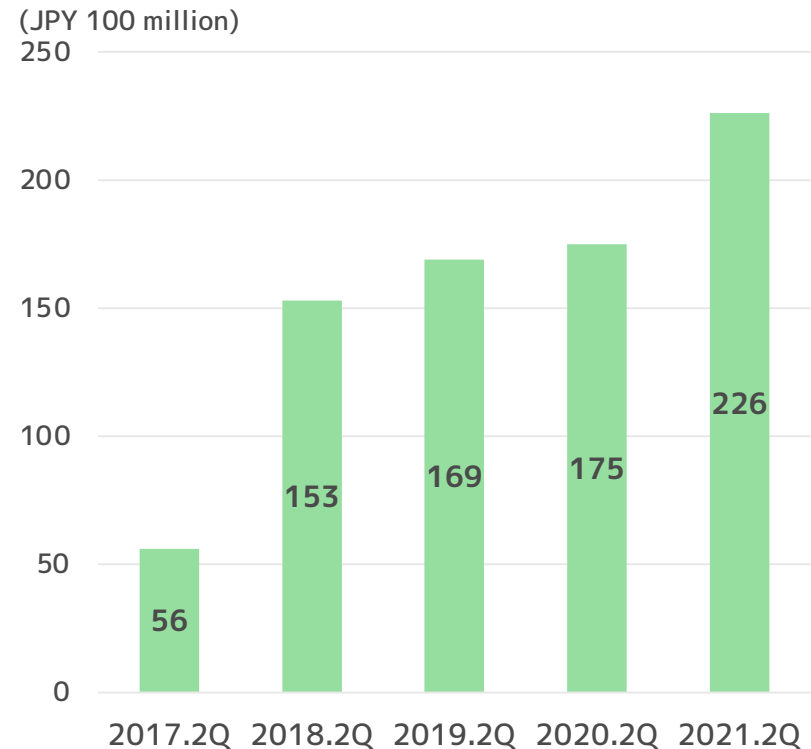
Orders Received Amount Trend (Overseas)

Recovery in orders for both Waterman and CTI Engineering International

Trend in Orders Received Amount

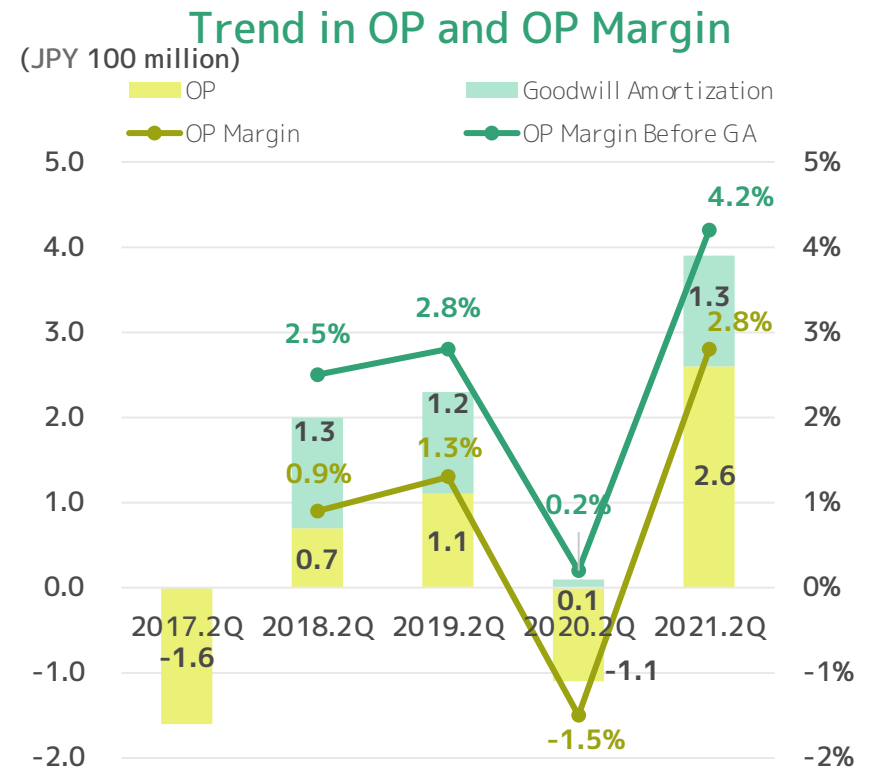
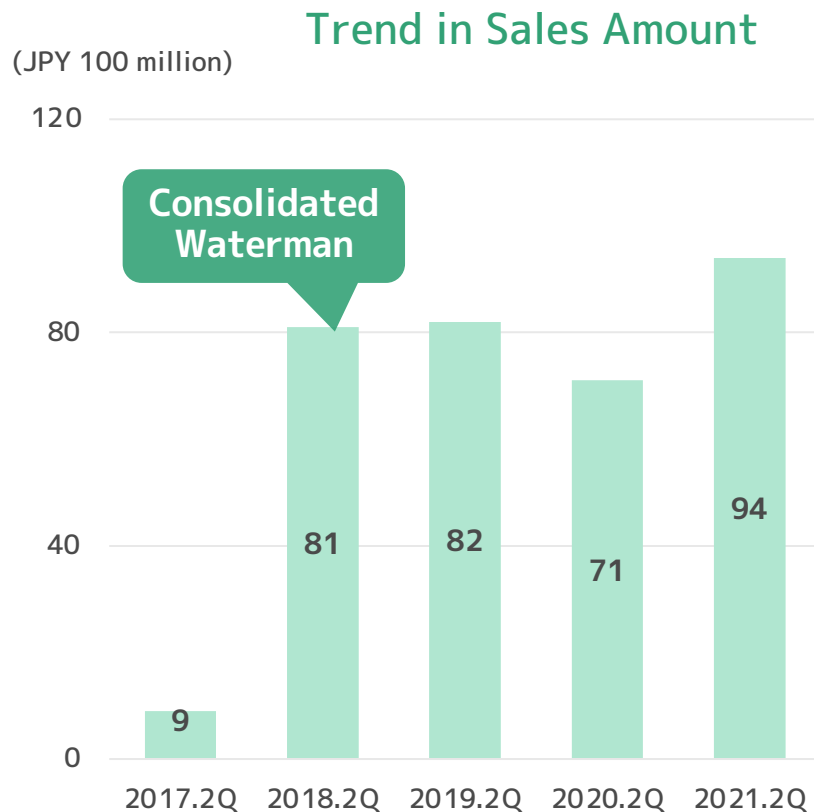


Trend in Order Balance



Sales Amount & Profit Trend (Overseas)

Positive trend reversal driven by the Public Sector-related Business in the UK (Waterman)

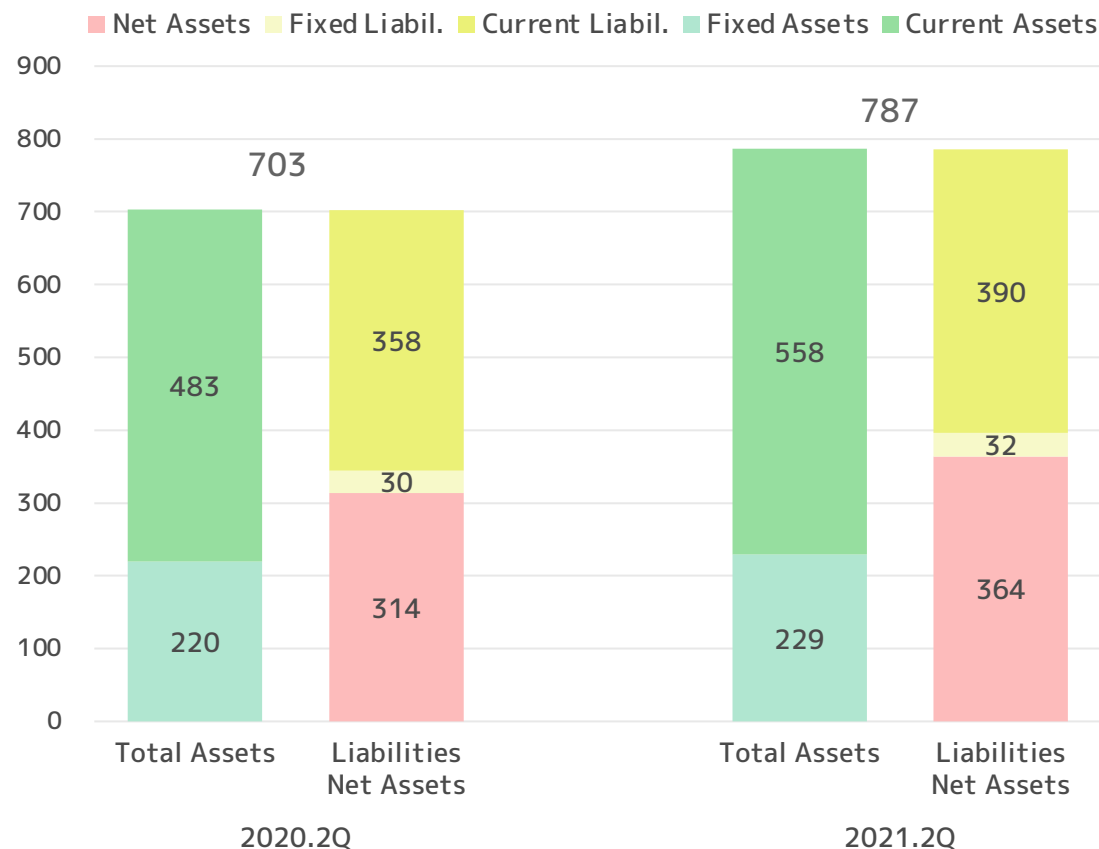


Balance Sheet (Consolidated) – YoY Comparison

Cash on hand increased; Total assets increased by 8,400 million yen YoY to 78,700 million yen

Balance Sheet (Consolidated)

(JPY 100 million)



Total Assets

78,700 million yen
(+8,400 million yen)

Cash & bank deposits

29,100 million yen
(+5,400 million yen)

AR - completed construction

7,800 million yen
(+1,000 million yen)

Liabilities

42,300 million yen
(+3,400 million yen)

Advances received from projects in progress

27,700 million yen
(+2,500 million yen)

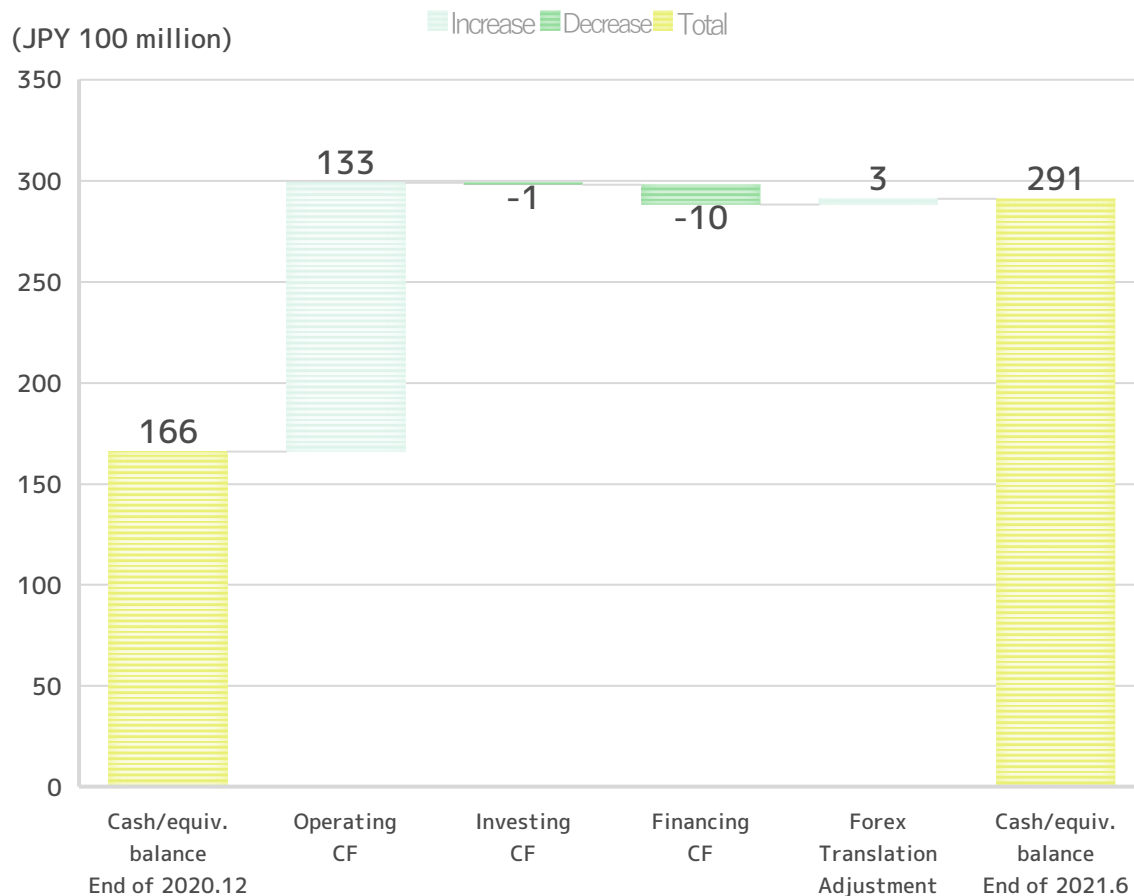
Net Assets

36,400 million yen
(+5,000 million yen)

Net Worth Ratio

46.1% (+1.6 points)

Cash Flow (Consolidated)



Cash & cash equivalents closing balance

29,100 million yen
(+ 12,500 million yen last year)

Operating CF
+13,300 million yen

Increase in advances received from projects in progress (+13,700 million yen)

Investing CF
-100 million yen

Property renewal expenses -100 million yen

Financing CF
-1,000 million yen

Dividends paid - 600 million yen
Repayment of lease obligations - 200 million yen

59th Term Business Forecast (Non/Consolidated)

No revisions made to the results forecast

(JPY million)

		58th Term 2020 (Realized)	59th Term 2021 (Forecast)	Change (%)
Consolidated	Orders Received	69,127	67,000	-3.1
	Sales Amount	65,190	67,000	+2.8
	Operating Profit	5,085	4,900	-3.6
	Ordinary Profit	5,216	4,900	-6.1
	Net Income (Parent)	3,650	3,300	-9.6
Non-Consolidated	Orders Received	46,374	44,000	-5.1
	Sales Amount	44,322	45,000	+1.5
	Operating Profit	4,835	4,700	-2.8
	Ordinary Profit	5,019	4,800	-4.4
	Net Income	3,613	3,300	-8.7
	Dividends	45 yen	45 yen	—

Challenges And Outlook For 2H

Challenges and outlook going forward, based on 1H

Challenges	Measures going forward
Business expansion against the backdrop of expenses associated with public works, such as the Government's plan to build national land resilience	We expect to continue receiving a large volume of orders. Against this backdrop, we will be executing activities in a planned and strategic manner, taking into account our production capacity
Address natural disasters, which have been growing in frequency and intensity	Against the backdrop of the typhoon season approaching and of strong orders, CTI will be addressing the needs of society by exhibiting forethought regarding natural disasters, as it pertains to the work environment
Expand orders from the private sector	Expand business to the private sector in a planned and strategic manner, as we hadn't made much progress on this front, in light of strong order volume from the National/Local Government
Adequate response to the impact of the COVID-19 pandemic on overseas operations	The overseas business is undergoing a recovery. Against this backdrop, we will be addressing potential risks such as travel restrictions caused by the emergence of new variants
Promote DX (Digital Transformation)	Take into account the factors outlined above, and promote DX in order to increase productivity, improve the work environment, and address risk

2

CTI Group's Medium/Long-Term
Vision -SPRONG 2030

Formulating Group's New Medium/Long-Term Vision — SPRONG 2030 —

- Business & corporate management environments changed drastically since Group Vision "CLAVIS 2025" in 2015

Change - Business Environment

- Climate change has precipitated an increase in natural disasters. Larger budgets for public works to deal with this.
- Seismic change to the industrial/production structure due to an advancing 4th Industrial Revolution (Use of ICT, AI, Big Data)
- COVID-19 pandemic as catalyst for the adoption of new work styles

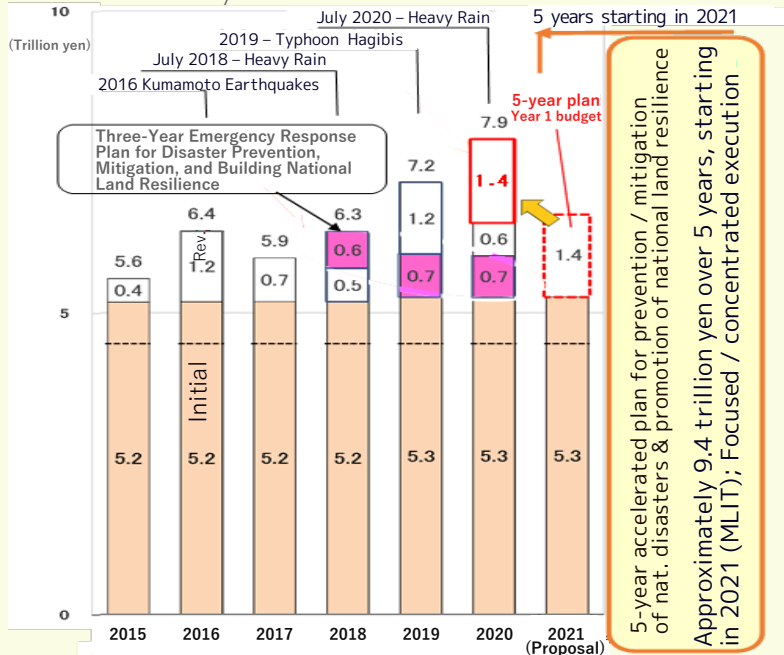


Diagram Trend in Public Work & Related Expenses (MLIT)

Source: Created based on MLIT Press Release materials

Change - Corporate Management

- The Group greatly expanded following the formulation of "CLAVIS 2025"
- NISSOKEN ARCHITECTS/ENGINEERS: Enhanced the urban planning / architecture field
- Waterman Group: Group overseas sales grew to 30% of overall sales
- CTI Pilipinas: Expanded overseas bases
- Established the Construction Management Sector and Mechanical & Electrical Equipment Sector as pillars for new business expansion

Business Description	Construction Consulting in the Philippines and neighboring countries
Established	April 2021
Shareholders	CTI Engineering International Co., Ltd. (100%)



Diagram Outline of CTI Pilipinas

Water and Land Sector	River/Water Resources/Coast/Port Sector
	Dam Sector
	Sabo Sector
	Water & Sewerage Sector
Mechanical & Electrical Equipment Sector	Mechanical & Electrical Equipment Sector
Transportation and Urban Sector	Road & Transportation Sector
	Urban Planning/FPI - PPP/Architecture Sector
Environmental and Social Sector	Information & Telecommunications Technology Sector
	Disaster Mitigation Sector
	Environment Sector
	Geo-Environment Sector
Construction Management Sector	Public Procurement Support Sector
	Construction Management & Execution Management Sector

Diagram Business Sectors & Technical Sectors

- Formulated a new Medium/Long-Term Vision to further clarify initiatives carried out as a Group

Formulating Group's New Medium/Long-Term Vision —SPRONG 2030—

Vision for SPRONG 2030

Global Infrastructure Solutions Group

We will seek to solve all challenges related to infrastructure – domestically and abroad – and grow by leaps and bounds as a global infrastructure solutions group making a contribution to the sustainable development of society.

Numerical Management Targets

2020

2025

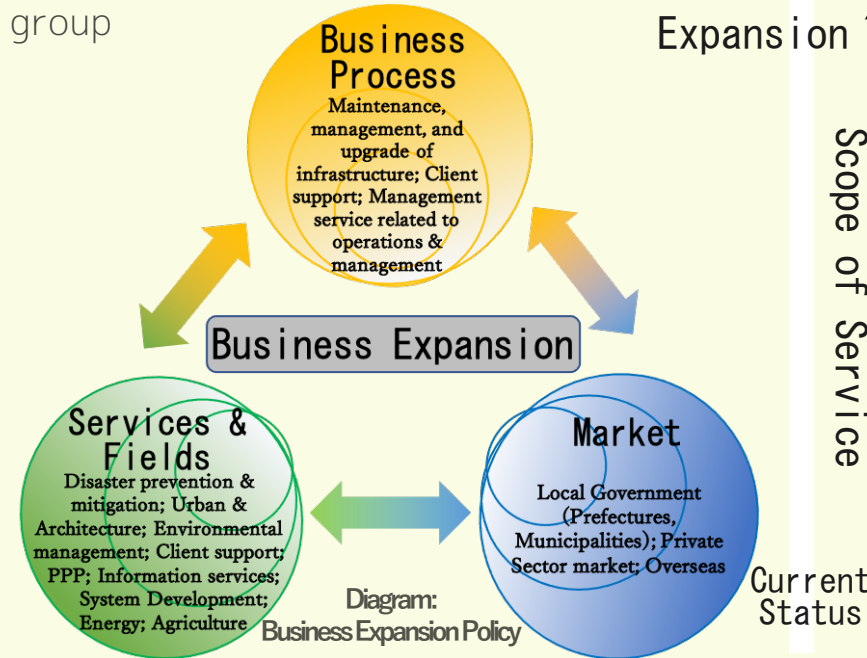
2030



Formulating Group's New Medium/Long-Term Vision —SPRONG 2030—

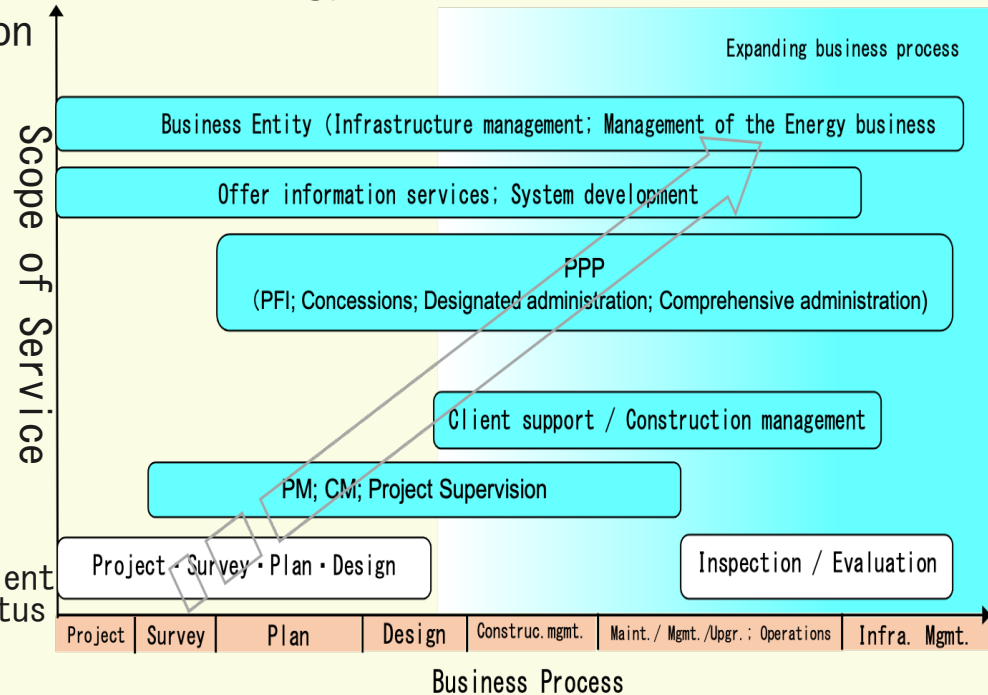
Business Expansion Policy (Domestic)

Grow and expand our business process, the scope of our business services and fields and market, so that the CTI Group can become an infrastructure solutions group



- **Business Process:** Offer services involving all business processes related to infrastructure (Maintenance, management, upgrade of infrastructure; Client support; Operations; Infrastructure management, etc.)

- **Services & Fields:** Expand our business in a variety of fields like Disaster prevention / mitigation; Urban Planning & Architecture; PPP; Information services; Energy, etc.

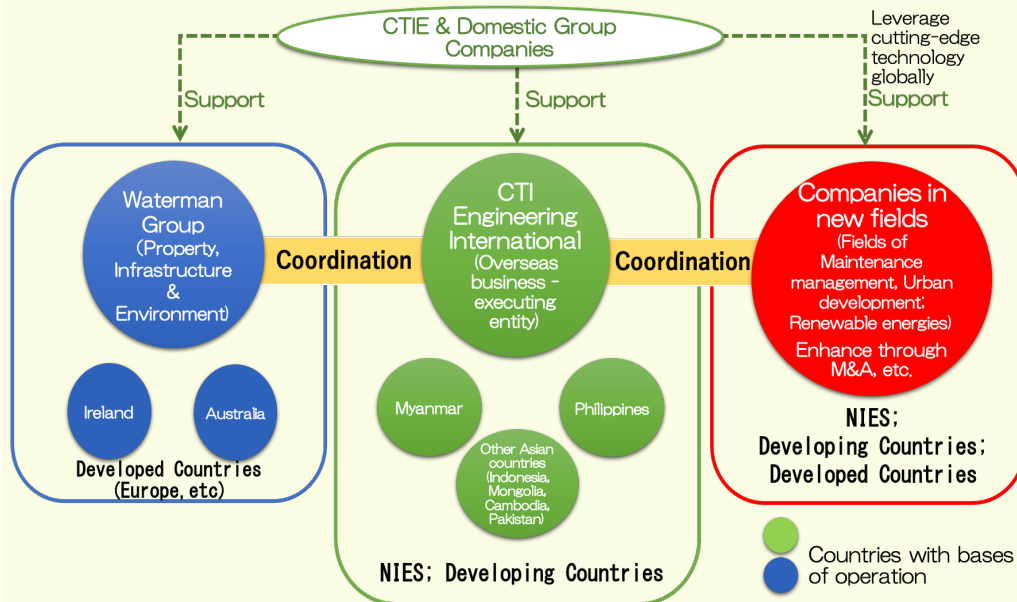


- **Market:** Strengthen intra-Group coordination in order to acquire new clients (Private Sector-market, etc)

Formulating Group's New Medium/Long-Term Vision —SPRONG 2030—

Business Expansion Policy (Overseas)

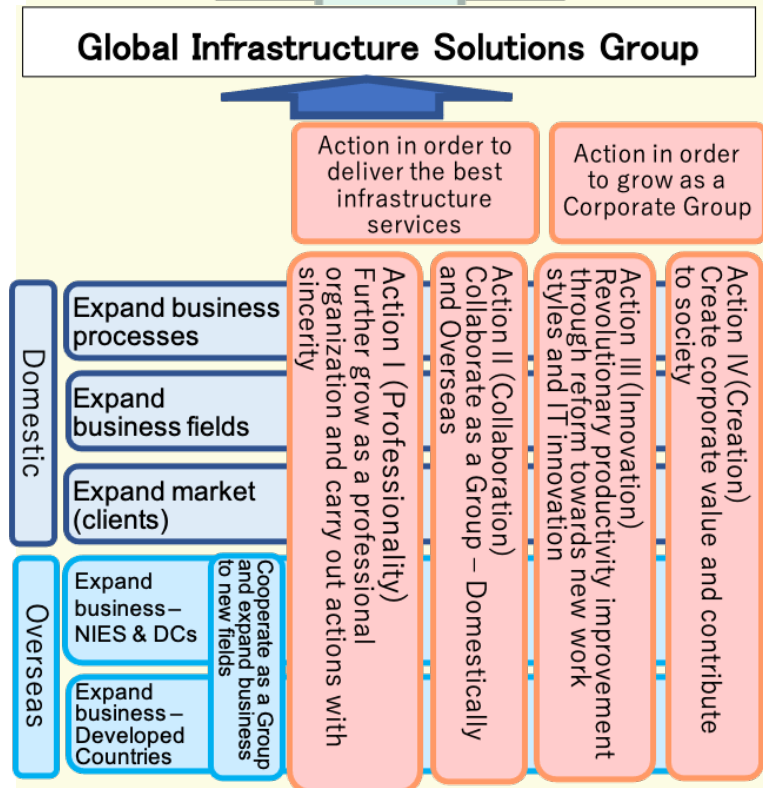
- **Overseas:** Advance a global expansion covering both developing and developed countries
- Expand our bases in Asia; expand into new fields through intra-group coordination



Action Towards Achieving Goals

We seek to achieve Sustainable Development Goals through the following 4 actions

Achieving Sustainable Development Goals (SDGs)









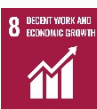



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Addressing Social Issues

SDG Initiatives

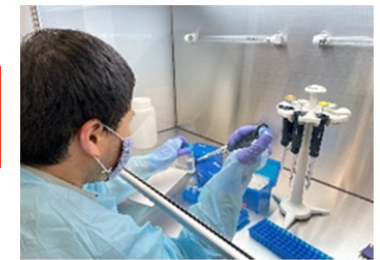
- Our Code of Conduct forms the basis of all activities carried out by the CTI Group as a whole. Through these activities, the Group seeks to contribute to the resolution of social issues, like achieving SDGs, etc.
- Pro-active approach to disclosure of these initiatives on the company’s website, as an ESG Index

Recent Core Initiatives

Environment	Leverage the company’s overall technological capabilities to contribute to the creation of a sustainable society	<ul style="list-style-type: none"> • Smart Communities: Participated in a proof-of-concept test for a self-driving bus • Started an energy-supply business making a reality the local production & consumption of wood resources • Started a service tracking COVID-19 levels in wastewater • Announced a proposal for the promotion of a flood control system merged with the drainage basin 	  
Social	Numerous initiatives, such as promoting new work styles, creating an even better environment for employees, and diverse activities making a social contribution	<ul style="list-style-type: none"> • Put in place an internal system adapted to remote working • Promote career advancement for women and diversity through initiatives to hire foreign employees and people with disabilities • Carry out field trips and assignments for students • Adopted casual business attire all-year round - “CTI Smart Casual Biz” 	    
Governance	Continue as a company trusted by society, through the execution of policy to make transparent, fair, speedy, and resolute decision-making a reality – in the process of running the company	<ul style="list-style-type: none"> • Review and improve business management to make transparent, fair, speedy and resolute decision-making a reality • Execute risk management based on “Policy to address core risks in 2021” • Revise our BCP (Business Continuity Plan) to include measures in the case of a pandemic 	 



Participated in proof-of-concept test for a self-driving bus



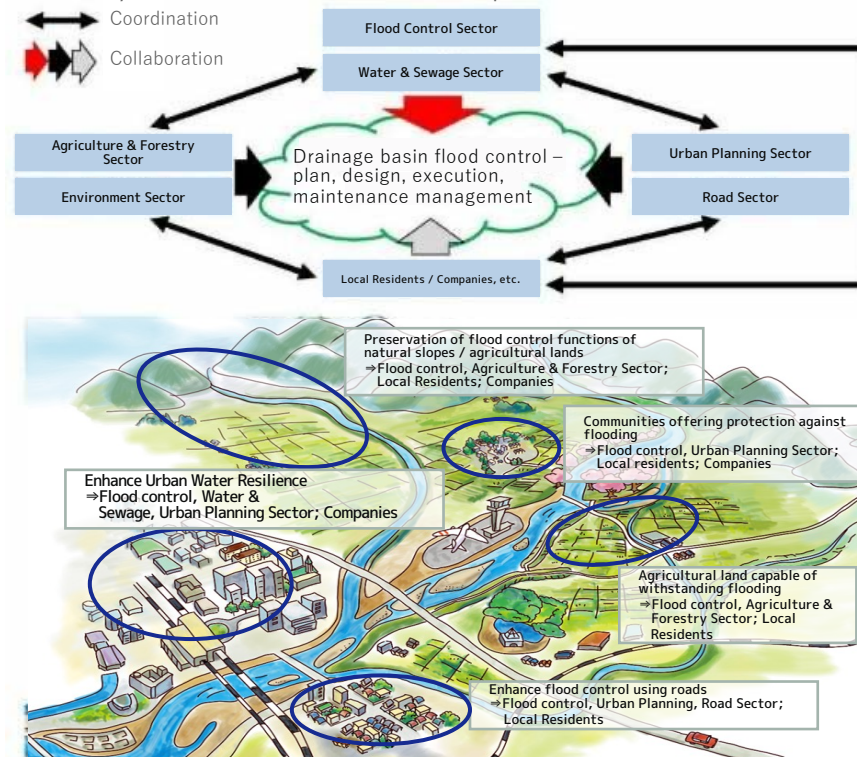
Analyzed COVID-19 levels in wastewater



Collaborated in offering field trips to elementary school students

Initiatives To Address Climate Change

- In recent years, there have been frequent heavy rain natural disasters thought to have been caused primarily by climate change
- In February 2021, the CTI Group announced a proposal on its website, promoting a flood control system merged with the drainage basin. Through this system, we aim to build a society allowing people to safely live their lives with peace of mind

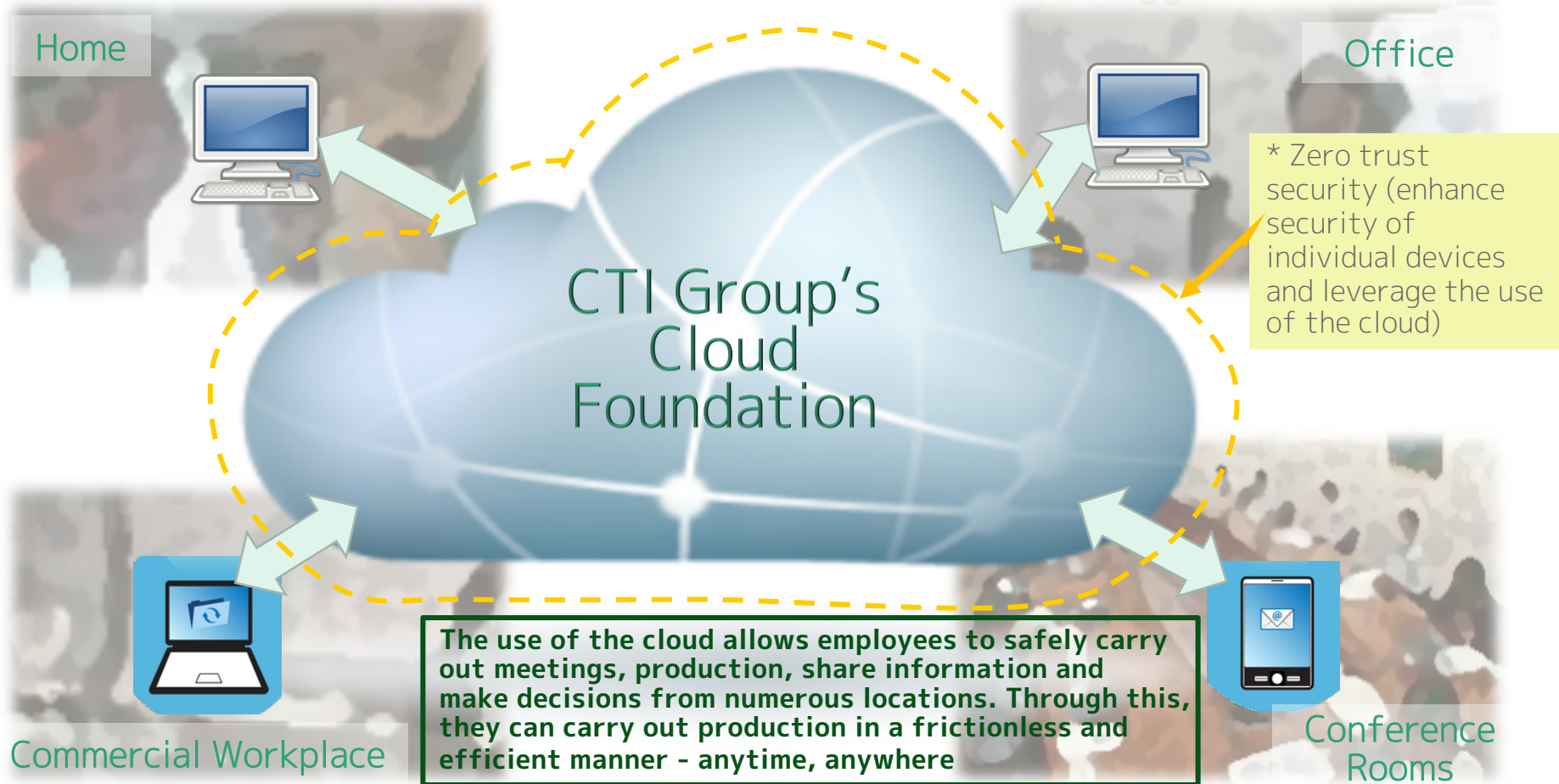


- Drainage Basin Flood Control: In addition to traditional flood control carried out primarily by entities supervising rivers and sewage, this framework includes not just the catchment and river areas, but also the flood plain. This framework therefore views the drainage basin as a whole as a management area. All agents across this area work in collaboration in order to mitigate water damage.

Advancing DX In Actual Business Operations

~Preparations to advance DX~

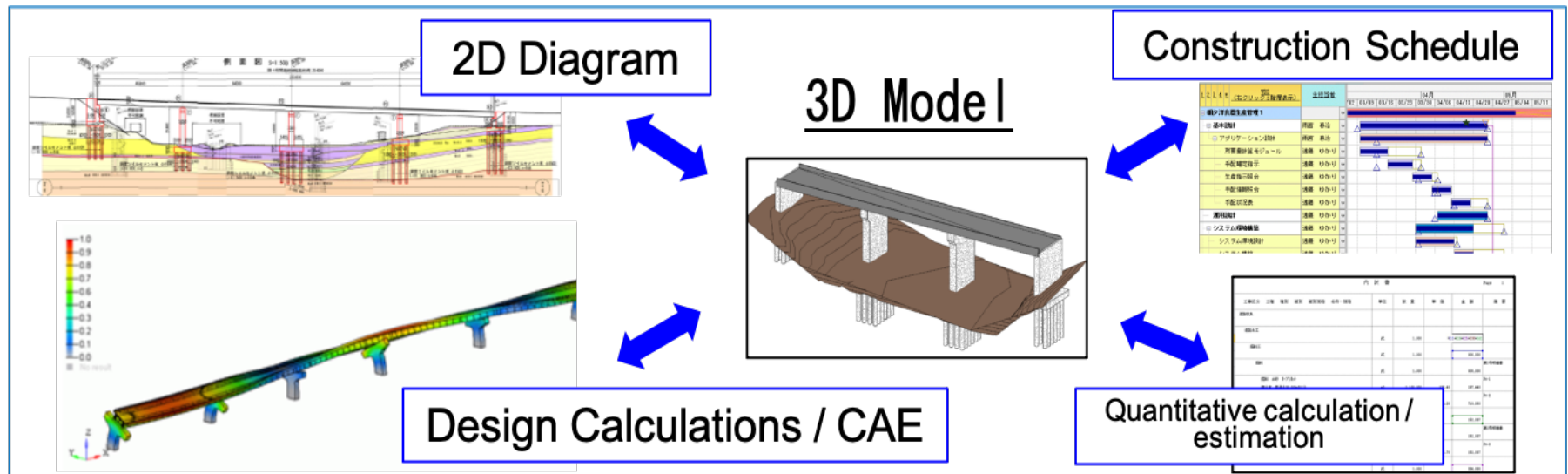
- As COVID-19 continues to spread, we are accelerating preparations to guarantee the safety and peace of mind of employees and also secure productivity
 - ⇒ Make a smart office space a reality by leveraging the use of cloud technology
 - Put in place new needed security framework (*)



Advancing DX In Actual Business Operations

~DX and actual business operations (use cases and effects)~

- R&D on cutting-edge technology through the use of AI
 - ⇒ Image analysis service for camera images; Enhance facility management at dams, etc.
- Leverage operational efficiency tools utilizing RPA (Robotic Progress Automation)
 - ⇒ Efficiency improvements in General affairs / sales administration; rapidly obtain, organize, and analyze technological information
- Promote BIM/CIM: Develop a structural design method using 3-dimensional models
 - ⇒ Productivity improvements, quality assurance, seamless design performance



Initiatives Amidst The COVID-19 Pandemic

~Carry out workplace vaccinations~

- Carry out workplace vaccinations at each of our core facilities (New vaccination reservations have been temporarily suspended at CTI's Osaka Head Office. Preparations to resume are ongoing)



Workplace vaccinations in progress at the Tokyo Head Office
(Left; Reception area – Right; Post-vaccination observation area)

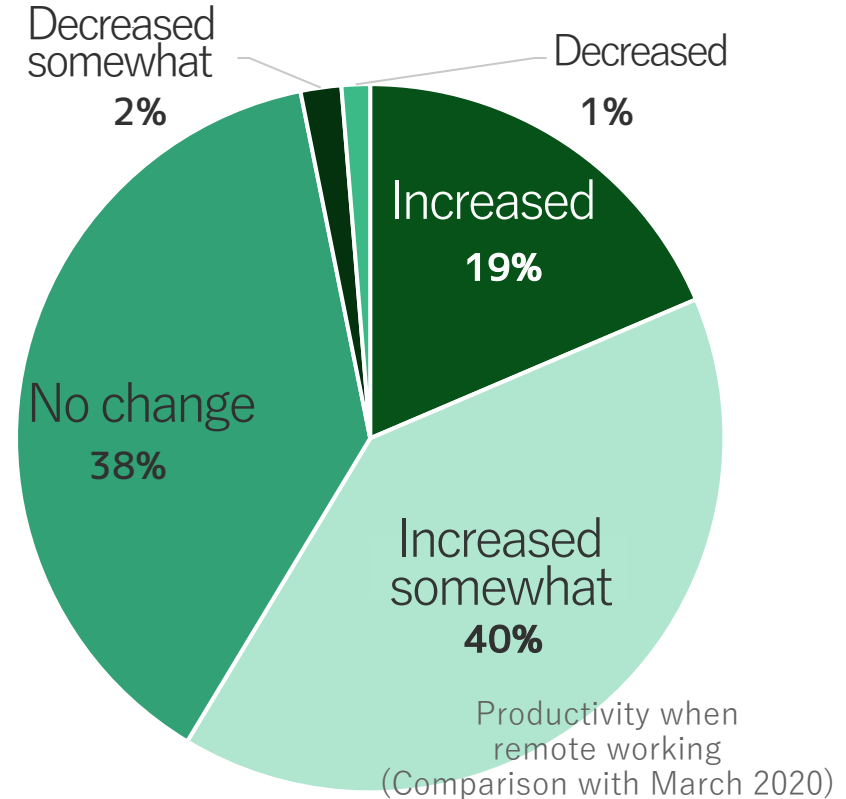
Accelerate Work Style Reform

~Promote remote working and increases in productivity~

- Changed framework to promote remote working by offering telecommuting allowances and cost reimbursement of commuting expenses
- Made available PCs, monitors, telecommunications equipment, etc., necessary to remote work. Secured productivity by pro-actively installing advanced software on PCs for remote working
- Introduced a web work attendance system to accurately manage remote work / shift work hours
- Productivity remote working increased thanks to the accumulation of knowhow



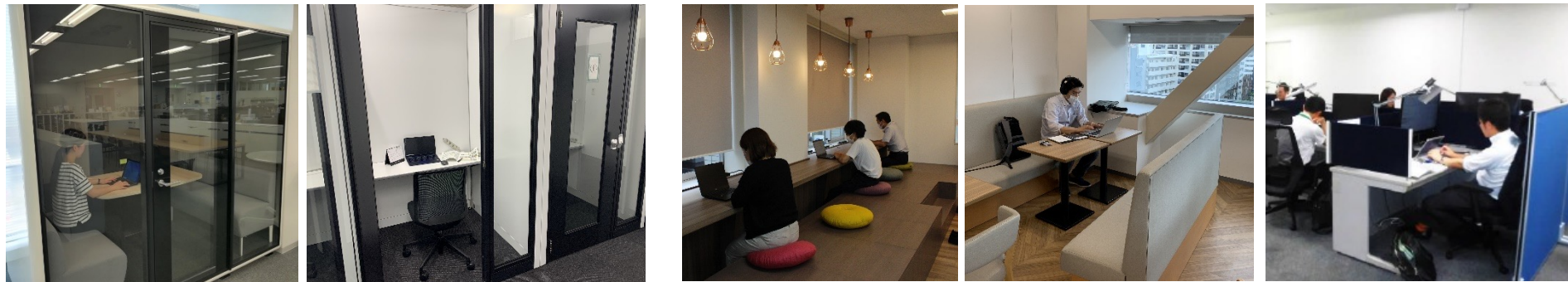
Made available equipment for remote work
(Work from home example)



Accelerate Work Style Reform

~Enhance satellite offices offering high levels of convenience~

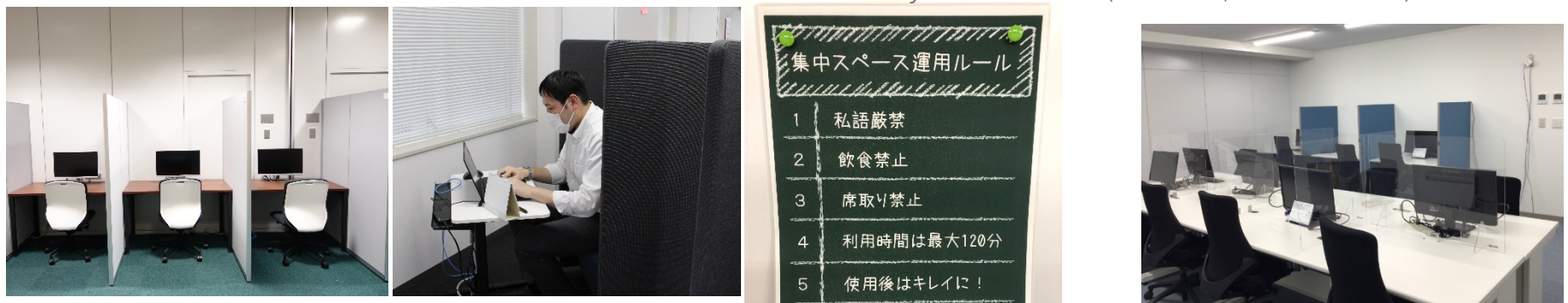
- Make available private work booths so as to adapt to an increase in the frequency of online meetings
- Added additional amenities to satellite offices so as to adapt to casual online meetings and refreshing at work
- Create focus rooms allowing employees to work in a quiet environment
- Moved sales offices to locations more accessible to employees and added satellite office features



Private Work Booths

Satellite Offices

Left; Chubu Office Right; Tokyo Head Office (F Tower) Left; Tokyo Head Office (Sawa-No-Tsuru Bld.) Middle / Right; Tokyo Head Office (F Tower / Saitama Bld.)



Focus space

Satellite Office of the Nara Office

Left; Kyushu Office Middle; Tokyo H.O. Right; Usage rules

Thank you for listening!

